



Laboratorio
Farmaceutico

S.I.T. Organisation, Management, and Control Model

Laboratorio farmaceutico S.I.T.¹ Specialità Igienico Terapeutiche S.r.l.

Organisation, Management, and Control Model

*generated under Art. 6, paragraph 3, of Legislative Decree no. 231 of 8 June 2001
“Rules governing administrative liability of legal entities, companies, and incorporated and unincorporated
associations, as established under Article 11 of Law no. 300 of 29 September 2000”, as subsequently
amended.*

Version approved by the Board of Directors on 27 January 2022

GENERAL SECTION

¹ SPECIALITY MEDICINES AND PRODUCTS



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1. Introduction - Laboratorio farmaceutico S.I.T. S.r.l. operations

Laboratorio farmaceutico S.I.T. - Specialità Igienico Terapeutiche S.r.l., with single shareholder Platone Holding S.r.l. (hereinafter denoted “S.I.T.” and/or the “**Company**”), may carry on the following business operations:

“a) Manufacturing, selling, distributing, and warehousing, whether in Italy or abroad, whether directly or through another, chemical-pharmaceutical raw materials and products, speciality medicines, haemoderivatives, cultures and vaccines for human and veterinary use, zootechnical and animal husbandry products, medical and surgical devices, nutritional supplements, toiletries, beauty, cosmetics, and related products, as well as healthcare products in general.

b) Offering of services relating to the aforementioned operations, including rents, leases, licenses, maintenance, and repair of administrative, IT, management, and any other tool of any kind for any company or business with an overlapping, like, or related company purpose, and to the extent deemed necessary in the pursuit of the company purpose.

c) The company may, furthermore, develop, purchase, sell, lease, or license patents, brands, technology, industrial and production processes, and carry on any other kind of business in the field of intellectual and industrial production. The company may, in the pursuit of the company’s purpose, undertake financial and property transactions, issue performance bonds, endorsements, security deposits, and guarantees, on its own behalf or on behalf of another, as well as acquire or dispose of, whether directly or indirectly, equity interests in Italian or foreign companies with a similar or related company purpose to its own, provided such operations do not constitute the company's core business but are incidental thereto, and no such transactions are with the general public”.

In the market segment in which the company operates, the company's workflow can be described as follows:

- management of speciality medicines (meaning brand, know-how, and Authorisations for Placing into the Stream of Commerce, hereinafter “**A.I.C.**”) or purchasing speciality medicines under a previously granted A.I.C.;
- production of speciality medicines;
- distribution of speciality medicines;
- sales to end consumers.

This workflow may be carried out by one or more companies (companies with a proprietary pharmaceutical registration, manufacturers, distributors).



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From an operational standpoint, S.I.T. can be characterised as:

- a manufacturer, and holder of pharmaceutical registrations;
- a manufacturer producing products on commission for other companies in the group (as identified *infra*; i.e. intra-group transactions).

One area of operations is therefore the acquisition of speciality medicines with a previously issued A.I.C., and establishing the distribution region for the same.

Another area of operations is the discrete production of speciality medicines for other companies within the Group (as defined *infra*).

S.I.T. also provides services relating to regulatory and pharmaco-surveillance operations for Group (as defined *infra*) companies holding pharmaceutical registrations, or for those companies with ongoing permission to sell the speciality medicines.

Product distribution is outsourced to independent companies selling to end users (pharmacists, wholesalers, hospitals).

S.I.T. operations are carried out:

- Directly, predominately within the country of Italy;
- Indirectly, as a manufacturer of Platone Holding S.r.l. products, world-wide.



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2. Corporate criminal liability

2.1. Glossary

“At-Risk Operations”: processes, operations, or actions, or any course of conduct, in an arena susceptible to the risk that a crime under Legislative Decree no. 231/2001 (as defined, *infra*) might be committed.

“CCNL”: the National Collective Bargaining Agreement currently in effect and applied by the Company.

“Code of Ethics”: a document generated by the Company (as an integral part of the Model, as defined *infra*) which sets forth the ethical principles and minimum standards of behaviour to which each person acting on behalf of the company must adhere, with a view towards preventing situations which might compromise the Company’s integrity.

“Associates”: persons acting in the name of and/or on behalf of the Company who are not employed by the Company, but hired under an agency or other type of contractual engagement.

“Employer”: the party engaging another in a work relationship or arrangement, or who otherwise (depending on the nature or structure of the business) is vested with decision-making and spending authority for the business.

“Recipients”: all persons required to abide by the Model (as defined *infra*) and thus the corporate bodies (directors and auditors), employees, and third parties (designees, representatives, agents, consultants, suppliers, etc.) with which the Company interacts in its ordinary course of business, and who undertake any operations in the name of, or on behalf of, the Company.

“Employees”: those engaged by the Company through an employment contact, including its executives.

“Legislative Decree no. 231/2001” or the **“Decree”**: Legislative Decree no. 231 (8 June 2001, setting forth the “Rules governing administrative liability of legal entities, companies, and incorporated and unincorporated associations, as established under Art. 11 of Law no. 300 of 29 September 2000”) as subsequently amended.

“Legislative Decree no. 81/2008” or **“T.U.S.L.”**: Legislative Decree no. 81 of 9 April 2008 concerning the implementation of Article 1 of Law no. 123 (3 August 2007) regarding the protection of occupational safety and health [the Occupational Safety and Health Code].

“Group”: means the set of companies with S.I.T. at the helm;

“Farmindustria”: association of pharmaceutical companies.

“ISF”: Scientific Advisor for the Pharmaceutical Industry.



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“Confindustria - Farindustria Guidelines”: Confindustria Guidelines for the drafting of organisation, management, and control models under Legislative Decree no. 231/2001 approved on 7 March 2002, initially updated in March of 2014, and subsequently updated in June of 2021, as well as more specific suggestions provided by Farindustria for the pharmaceutical industry.

“Model” or **“MOG”**: the Organisation, Management, and Control Model generated by the Company under Legislative Decree no. 231/2001.

“Supervisory Board” or **“SB”**: the Company's supervisory entity, vested with oversight capacity on Model functioning and compliance, and tasked with reviewing and updating the Model, as required under Art. 6 of Legislative Decree no. 231/2001.

“Governing Body” or **“Board of Directors”**: the Company's Board of Directors.

“Internal-Control Body” or **“Board of Statutory Auditors”**: the Company's Board of Statutory Auditors.

“Corporate Bodies”: the Company's Governing Body, and its Board of Statutory Auditors.

“Public Administration”: the entities of the Public Administration and, with respect to crimes against the public administration, public officials and public-service contractors (e.g. those authorised to sell a public service) under Art. 357, 358 of the Criminal Code.

“Trade Partners” or **“Business Partners”**: contractual counterparties, including but not limited to suppliers and distributors (be they natural persons or legal entities) with which the Company has entered into any type of arrangement governed by contract terms and conditions (Temporary Association of Businesses or “ATI”, joint venture, consortium, etc.) for purposes of pursuing a common enterprise involving an At-Risk Operation.

“Procedure”: a document formally promulgated with the Company setting forth a set of rules on how the company conducts its business affairs, and the internal control of company processes, which likewise governs the behaviour of employees under specific circumstances.

“Protocol”: A set of rules contained within the Organisation, Management, and Control Model which supplement the company's existing framework of procedures, and which is intended to inform what training is offered, and to implement institutional decisions, regarding crime prevention, as well as to determine the means through which to allocate sufficient funding to the same.

“Crimes”: those crimes specifically identified in Legislative Decree no. 231/2001, and other statutes and regulations citing the same, the commission of which, under certain circumstances, would allow the Company to be held strictly liable under criminal law (*see Appendix 1*).

“Reporting Party”: the party reporting conduct which is a violation of any statute, regulation, internal policy, the Code of Conduct, or the Model.



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“Report”: any act of disclosure through which the Reporting Party contributes to the identification, and prevention of risks and hazardous situations for the Reporting Party’s organisation.

“Disciplinary System and Sanctions”: the set of disciplinary measures and sanctions applicable to violations of procedural and behavioural rules under the Model.

“Subsidiaries”: companies controlled directly or indirectly (as defined under Art. 2359, paragraphs 1 and 2, of the Civil Code) by S.I.T.

“Group Companies”: companies controlled by S.I.T.

“Senior Management”: persons who serve as representatives, directors, or managers of the Company, or of any strategic business unit thereof vested with spending and operational autonomy, as well as those persons who manage or control that Company on a *de facto* basis.

“Subordinates”: persons subject to the direction and supervision of anyone in Senior Management.

“Whistleblowing”: a legal construct from the English-speaking world through which employees or associates of an organisation report a crime, unlawful act, or any other anomalous conduct to a specific party, when committed by other parties traceable to the organisation.

2.2. Farindustria Code of Professional Conduct

The Company is a member of Farindustria. As such, it is subject to the Farindustria certification system which governs scientific interactions amongst pharmaceutical companies, and between these companies and the worlds of scientific research and healthcare.

S.I.T. also subscribes to the guidelines set by European industry associations (*i.e.* “*European Federation of Pharmaceutical Industries and Associations*” or “EFPIA” and the “*International Federation of Pharmaceutical Manufacturers & Associations*” or “IFPMA”) as implemented within Italy by Farindustria. Additionally, the Company has taken part in the “*Certification of procedures relating to consumer medication information*”, developed within Farindustria. In order to secure that certification, the Company has established a system of controlled organisational documentation and a system for consumer medicine information; it has further delineated and communicated, throughout its staff, the responsibilities vested in each department within the business’ organisational structure, in respect of that disclosure process. All consumer-medication-informational activities have been delineated within documented operating procedures aimed at:

- providing training and education for Company personnel;
- internal control plans (using internal auditing);
- reviewing the procedure system;
- document management.



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2.3. Internal Organisation

2.3.1 S.I.T.'s Organisational Structure

The Group boasts a broad and diversified line of products, which includes pharmaceuticals, nutritional supplements, cosmetics, and medical and surgical supplies and devices.

In Italy, the Group employs approximately 140 persons, with more than 150 products reaching 40 countries.

2.3.2 Interactions with Group companies.

S.I.T. has business interactions with all Group companies.

These intercompany interactions involve the following operations:

- *Information Technology;*
- *Regulatory Affairs;*
- *Administration;*
- *Marketing;*
- *HR & Legal Affairs.*

Contractual relationships amongst Group companies are governed by express, written agreements (called “service agreements”) which identify the service to be rendered, and the prices to be paid.

These must conform to the provisions of the Code of Ethics and the Model.

S.I.T. subsidiaries charge the costs incurred for “research and development” and “clinical trials” back to S.I.T.

2.3.3 Corporate Governance

The Company is managed by a Board of Directors, whilst the Company's financial statements are audited by an external auditing firm. The Board of Statutory Auditors is charged with overseeing legal compliance, and compliance with the Company's Articles of Incorporation, as well as adherence to the tenets of good governance, and proper bookkeeping and administration. The S.I.T.



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Board of Directors is made up of five members, including a Chief Executive Officer charged with managing the Company in all ordinary and special business matters.

The governance model selected by S.I.T., and its organisational system are structured in a way to allow the Company to implement its strategy, and to reach those objectives the organisation has set for itself. The Company's organisational structure has been established with a dual goal: striving for the utmost efficiency in company operations whilst ensuring a segregation of duties between those in operations and those tasked with auditing operations.

An overview of the Company's organisational structure is provided by the following documents:

- company organisational chart;
- list of job descriptions;
- chain of command and attribution-of-authority system.

The organisational structure is delineated and thereafter disseminated through:

- a system of written authorisations and delegations of authority within the organisation;
- updating the company's organisational chart on an as-needed basis to keep pace with any intervening changes;
- issuance of organisational memos, for which the designated departments are made formally responsible.

2.3.4 Internal controls on management and cash flows

S.I.T.'s internal-control system focuses on auditing resource management to ensure the business' efficiency and good stewardship of funds, whilst guaranteeing that all expenses can be verified and traced. Moreover, the goal of that internal-auditing system is to:

- provide clear, systematic, and transparent guarantees of available resources, along with the terms and conditions under which resources may be deployed, through a planning process that culminates in a budget subject to audit over the course of the year using established internal-review and control processes;
- uncover any discrepancies and/or anomalous transactions, analysing their causes, and submitting any findings for review to the appropriate level in the chain of command, so that all necessary adjustments may be made, through a careful reconciliation of the Company's books.



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Finally, S.I.T.'s control system uses internal auditing to ensure that any steps taken correspond to those planned and approved at the beginning of the financial year, through the following:

- comparing actual numbers to budgeted figures, and
- timely reporting of transactions.

2.3.5 The occupational safety and health control system

In terms of occupational safety and health, the Company has established an organisational structure that complies with applicable injury-prevention regulations (*i.e.* Legislative Decree no. 81/2008), intended to prevent and eliminate any workplace hazards.

Accordingly, the Company has, for both its Mede (PV) and Tavernerio (CO) plants, appointed a single "Safety and Health Director" (known as an "RSPP") to carry out the Company's duties regarding:

- risk-assessment operations, and establishing accident-prevention and safety-assurance measures;
- compliance with technical/structural codes applicable to equipment, systems, utilities, work stations, and chemical agents;
- supervisory operations to ensure compliance with safety procedures and instructions;
- organisational operations including: periodic meetings on workplace safety, emergency response, first aid, and feedback from the workers' safety representative;
- health monitoring;
- worker training;
- periodic safety inspections.

2.4. Legislative Decree no. 231/2001

Legislative Decree no. 231/2001, which took effect on 4 July 2001, introduced into our legal system the concept of corporate criminal liability (applicable to legal entities, companies, and incorporated or unincorporated associations, hereinafter, "**Organisations**"), which is cumulative with the criminal liability of the persons who represent them, and who perpetrated the offence.

That type of liability, termed "administrative" by the Legislator, is criminal in nature because it is adjudicated during a criminal proceeding, follows the commission of a crime, and contemplates the application of criminal sanctions.

The intent of the Decree is to align Italian laws on corporate liability with those international conventions of which Italy is already a signatory, including:



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- the European Communities Brussels Convention (26 July 1995) on protecting the financial interests of the European Communities;
- the European Communities and the Member States Brussels Convention (26 May 1997) intended to combat corruption;
- the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of 17 December 1997.

Three elements must be met to ascribe liability for the crime to the Organisation:

- a **named crime**: the offence must appear expressly in the list of crimes contemplated under the Decree (known as “**predicate crimes**”) - please see the list annexed to the Model at Appendix 1, labelled “Table of Crimes”);
- the requisite **criminal actor**: the offence must have been committed (i) by a person in “top management” in a position where they represent, support, or direct the Organisation, or (ii) by a “subordinate”, meaning those subject to the direction and supervision of the senior management;
- **specific intent**: the offence must have been committed in the **interest** - an actual or potential benefit - or for the **advantage** - an economic benefit - of the Organisation (at least one of these two elements must be met).

A liability shield is available to an Organisation if the following conditions are met:

- the governing body has promulgated and fully implemented, prior to the commission of the offence, an organisation, management, and control model apposite to prevent the type of crime which ultimately occurred;
- the task of supervising the operation of, and compliance with the model, and to issue updates, has been entrusted to a “Supervisory Board”, vested with independence in terms of taking action and performing controls, with the responsibility of checking to make sure that all at-risk operations are being carried out in accordance with the protocols set by the model;
- the Supervisory Board has not been derelict in the performance of its supervisory duties.

If the offence was committed by a person in “senior management”, the Organisation must demonstrate that the crime was perpetrated by **fraudulent evasion** of the organisation, management, and control model, meaning the proof of the Organisation’s lack of involvement in the criminal incident must be compelling.

The organisation, management, and control model must be:



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- effective, meaning reasonably sufficient to prevent the crime or crimes ultimately committed;
- actually implemented, meaning made manifest through company procedures which the Organisation actually follows.

The organisation, management, and control model must contain:

- a notation of any **relevant crimes**, in respect of the company's ordinary course of business;
- the identification of **at-risk operations** where such crimes might possibly occur;
- the identification of **specific protocols** to be followed for the purpose of staff training, and implementing Organisational decisions, in respect of the crimes to be combated, the allocation of sufficient financial resources to prevent these crimes from being committed;
- the introduction of a **disciplinary system** to punish deviations from the standards set by the organisation, management, and control model, and the company's code of ethics;
- establishing of a **duty to report** violations to the Supervisory Board;
- the introduction of measures apposite to ensure business operations are carried out in accordance with the law, and any risky scenarios promptly addressed; these measures will vary depending on the Organisation's size and the nature of its operations.

The Supervisory Board will propose amendments to the Organisation under the following circumstances:

- major rules violations;
- significant intervening changes to the Organisation's structure or business operations;
- material changes to any applicable law or regulation.

2.5. Sanctions

Legislative Decree no. 231/2001 enumerates, at Art. 24 et seq., those crimes and administrative offences giving rise to Organisational strict liability.

Sanctions⁽²⁾ which may be meted out to an Organisation following the commission or attempt of the aforementioned crimes include:

² Art. 9 et seq., Title I, Section II, "General Sanctions", of Legislative Decree no. 231/2001.



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- fines, which are applied on a “share” basis, ranging from a minimum of one hundred (100) to a maximum of one thousand (1000) shares. The value of each share ranges from a minimum of € 258.00 to a maximum of € 1,549.00. The exact amount is set “*based on the organisation's income and assets, in order to ensure the fine is punitive*” (see Art. 11, paragraph 2, Legislative Decree no. 231/2001);
- injunctions, which only apply when expressly stated in the Decree, including:
 - a) restrictions against conducting business;
 - b) license (or concession) suspension or revocation,
 - c) restrictions against entering into a contract with the public administration,
 - d) ineligibility for, or rescission of, grants and financing,
 - e) restrictions against advertising goods and services.

These injunctions may be imposed for a minimum of three (3) months up to a maximum of two (2) years. Preliminary injunctions may be ordered against the Organisation by a court when:

- a) a *prima facie* case of the Organisation's strict liability for a crime has been made;
- b) specific and concrete grounds have been presented which depict a clear and present danger that crimes of the same nature as the one being adjudicated are likely to be committed;
- c) the Organisation's securing of a sizeable profit.

Injunctions will not, however, be entered when the crime has been committed in the predominant interest of the criminal actor, or of a third party, and the Organisation's benefit was negligible, meaning the economic damages were *de minimus*.

Injunctions are likewise unavailable when the Organisation has implemented the subsequent remedial actions identified in Art. 17 of Legislative Decree no. 231/2001, i.e. when the following elements are met:

- “*the organisation has fully repaid the debt or damages, and has eliminated the harmful or dangerous consequences of the crime, or has taken concrete steps to do so*”;
- “*the organisation has addressed the gaps in its organisational structure which allowed the crime to be perpetrated by implementing organisational models apposite to prevent the type of crime which ultimately occurred*”;
- “*the organisation has voluntarily submitted to the judicial police's seizure of the ill-gotten gains*”.



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Under Art. 19 of Legislative Decree no. 231/2001, the fruits of the crime are always subject to seizure (whether directly, or by seizing an equivalent value in cash), which may occur as a pre-trial seizure or holding in escrow. An exception lies for any portion which may be returned or paid out as restitution to the injured party, and without prejudice to the rights of any bona fide purchaser or transferee. Sentencing on any criminal conviction will always include civil forfeiture of any ill-gotten gains.

Under Art. 18 of Legislative Decree no. 231/2001, when an Organisation has been subject to an injunction, then the criminal conviction may be made public.

Criminal convictions are posted to the legal notices board in the municipality where the Organisation has its registered office.

2.6. Organisation, Management, and Control Model Structure

The Model is broken down into a general section, and a special section comprising a series of appendices.

The **general section** includes:

- an overview of the law;
- the Supervisory Board;
- the duty to report to the Supervisory Board;
- the duty to train Recipients;
- the disciplinary system established to identify and punish violations.

The **special section** is made up of a series of appendices:

- Appendix 1: Table of Predicate Crimes;
- Appendix 2: At-Risk Operations where Crimes might occur;
- Appendix 3: List of specific protocols implemented to prevent or mitigate damages arising from the commission of offences in the interest of, or to the advantage of, the Company;
- Appendix 4: Code of Ethics;
- Appendix 5: Company organisational structure.

The appendix structure allows for a modular approach to drafting the Model.

Accordingly, S.I.T. has decided, in an effort to achieve ever-greater ethics and transparency in its business affairs, to implement the Model.



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2.7. Model implementation and updating

The Company believes that the implementation of this Model, together with the Code of Ethics, irrespective of any legal mandate, provides another valid tool through which to raise awareness amongst all employees and associates on the need to behave in an ethical and transparent manner, abiding by those ethical tenets and the principles of community wellbeing to which S.I.T. subscribes in the pursuit of its company purpose, and which furthermore would prevent the commission of enumerated Crimes.

In order to generate the Model, S.I.T. first identified the relevant crimes, then analysed areas at risk for these crimes within its own business operations, and then generated protocols intended to reduce the risk of a given crime occurring. To craft these protocols, the Organisation looked to the provisions of the Decree, applicable court opinions and those of legal scholars, as well as Confindustria - Farmaindustria Guidelines.

The Model, together with its appendices, constitutes the **internal regulation** for the Company, and is binding on the same. It delineates the rules of behaviour to be followed in the pursuit of the Company's stated purpose, and its commercial objectives.

The purpose of the Model is to disseminate a corporate culture focused on business ethics and transparency.

The Model must be promptly amended or supplemented on motion of the SB, which is then implemented pursuant to a Board Resolution.

Regardless, any incident that would trigger a Model update must be reported by the Supervisory Board in writing to the Board of Directors, so that the Board might pass resolutions on issues falling within its aegis.

Any changes to company procedures prompted by implementation of the Model will take place at a department or division level.

The SB is kept constantly apprised as new operating procedures take effect. It has the option to express its opinion on any plans to make these types of changes.

Finally, the SB is tasked with monitoring the suitability and effective implementation of the Model.

2.8. Crimes (cross-reference)

The list of Crimes is updated on a rolling basis, and appears in the special section of the Model at Appendix 1.



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The special section establishes the standards of behaviour and, more generally, the internal-control system intended to carry out the crime-prevention mandate established by Legislative Decree no. 231/2001, in respect of those At-Risk Operations identified in Appendix 2.

The identification of At-Risk Operations is defined based on the Company's day-to-day activities on a managerial and operational level, and cross-referenced against the Crimes identified.

The special section is therefore the document which sets the minimum standards of behaviour to which any Recipient, regardless of role (be it executive, supervisory, or operational, etc.), must adhere in any at-risk process.

Should any conflict arise between the rules appearing in the protocols (which are an integral part of the Model) and those appearing in company procedures, the more stringent rule shall apply.

2.9. At-Risk Operations (cross-reference)

The list of At-Risk Operations is kept constantly up to date, and appears in the special section of the Model, and specifically in Appendix 2.

2.10. Specific protocols (cross-reference)

The specific protocols (meaning Company procedures which govern At-Risk Operations) appear in the Model's special sections, specifically in Appendix 3.

2.11. Recipients

Rules appearing in the Model apply to the Corporate Bodies, Employees, as well as those who, albeit not employed at S.I.T., work pursuant to an engagement of the same, and are connected through a collaborative (*i.e.* the Associates), consultancy or other arrangement (*i.e.* the Trade Partners).

Recipients, insofar as they are involved in At-Risk Operations, and depending on the particular role they fulfil, or responsibility they hold, as against S.I.T., must duly conform their conduct in order to prevent and combat the Crimes in question.

Moreover, this section aims to:

- a) provide a list of the general principles, and the specific procedural rules with which the Recipients, as their particular employment or engagement with the Company demands, must comply in order to ensure the Model is correctly implemented;



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- b) provide the Supervisory Board, and the heads of other company departments or divisions required to cooperate with the same, the operational tools needed to be able to exercise their assigned control, monitoring, and auditing functions.

In carrying out their respective operations/functions, company staff and associates are required to abide by the rules and principles set forth in the following documents:

- the Code of Ethics;
- any other current documentation on the company's internal-control system.

Associates, consultants, and Trade Partners must be made aware of S.I.T.'s implementation of the Model and the Code of Ethics.

S.I.T. disseminates the Model through the proper channels to ensure all Recipients gain the requisite familiarity, holding them accountable for their compliance, which comes in part through the discharge of their duty of loyalty, ethics, and due care towards S.I.T. as employees or associates of the same.

S.I.T. therefore repudiates any behaviour which deviates from the law, or from the provisions of the Model and the Code of Ethics.



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3. Supervisory Board

3.1. Criteria for the Supervisory Board

Pursuant to the provisions of Legislative Decree no. 231/2001, Art. 6 and 7, as well as the instruction provided by Confindustria-Farindustria Guidelines, Supervisory Boards must meet the following standards to ensure the model is fully and effectively implemented:

➤ character,

in order to demonstrate the proper character and fitness, persons who have been placed under guardianship or tutorship, declared bankruptcy, or been sentenced (regardless of whether the finding or conviction is final) to a temporary or permanent restriction against holding public office, or any executive role, or convicted (regardless of whether the finding or conviction is final) for any crime contemplated under Legislative Decree no. 231/2001 cannot sit on the Board;

➤ autonomy and independence,

the SB must be free of any interference or pressure from executives tasked with operations, and cannot under any circumstances be engaged in business operations or decision-making at a management level.

The autonomy and independence requirements must be understood as applicable to the SB rather than to any member thereof, in respect of:

- having the autonomy to initiate actions and perform controls;
- not being charged with any operational tasks within the Company;
- reporting directly to the Board of Directors;
- having access to an annual budget approved by the Board of Directors to fund their operations;

➤ professionalism,

the SB must have the technical and professional skill set needed to perform their assigned duties.

The SB must:

- have the requisite acumen;
- have the tools required to carry out their duties in a concrete and effective manner, whether independently or with the support of outside firms or consultants.

➤ uninterrupted operations, meaning:

- a term of office independent of that of the other Corporate Bodies;



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- conducting periodic controls, and carrying on the operations required to supervise the Model.

3.2. Appointment and governance of the Supervisory Board

The SB may be made up of a single member, or may be a collegial board.

Appointment to the board is conditioned upon meeting the aforementioned merit criteria of character and fitness, integrity, respectability and professionalism, as well as demonstrating that none of the following would disqualify the person from serving on the Board:

- being related by blood, marriage, or kinship (within the fourth degree) to any member of the Board of Directors, or to senior management in general, to the Board of Statutory Auditors, or to any external auditors assigned by the external auditing firm;
- actual or potential conflicts of interests with the Company that might compromise the independence required of the person's position or duties on the Supervisory Board;
- having exercised any administrative function during the three financial years prior to the appointment of the person to the SB, for any company which has declared bankruptcy, or been subject to court-ordered liquidation, or other insolvency proceeding;
- having been employed as a civil servant for any central or local public agency during the three years prior to their appointment as a member of the SB;
- the application of any disqualifying or rescission criteria under Art. 2382 of the Civil Code;
- prior conviction, or sending of charges to trial (regardless of whether finally adjudicated) in Italy or abroad, for any offence cited in the Decree;
- any finding of guilt, regardless of whether a final sentence is entered, with a punishment that implicates a temporary or permanent restriction against holding public office, or any executive role for any legal entity or business;
- having been subject to any pre-trial supervision by a court under Law no. 1423 (27 December 1956, setting forth the "*Pre-trial supervision of dangerous persons to ensure public safety and morals*") or Law no. 575 (31 May 1965, bearing "*Regulations against Italian and international Mafia-style organised crime*") as subsequently amended;
- the entering of any conviction (included suspended executions of sentences, subject to any permitted rehabilitation): for any non-negligent crime with a term of imprisonment of at least one year; for any crime against the public administration or public trust, or against the public treasury or coffers; for any crime contemplated by laws governing banking, finance, real estate, insurance, and by any rules regarding markets, securities, or negotiable instruments.



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The Company's Governing Body will receive, from each candidate, an affidavit certifying their eligibility for the position.

Should any of the foregoing disqualifiers apply, the person will be ineligible to serve on the SB, and any previously elected member will be automatically removed from office, without any additional resolution by the Governing Body required, who will thereupon appoint a replacement.

Once installed, the SB will establish a set of bylaws, by generating or ratifying the text and submitting the approved bylaws to the Governing Body at the first reasonable opportunity after the SB's appointment.

3.3. Term of office, and cause for removal

The SB will serve for the term stated on the letter of appointment; members are not subject to term limits.

The SB's term will end under the following circumstances:

- (i) expiry of the term;
- (ii) removal by the Board of Directors;
- (iii) formal resignation, which must be tendered in writing to the Board of Directors;
- (iv) any incident causing the term of office to lapse.

Removal of the SB, the authority for which falls to the Board of Directors, must be for cause; examples of "cause" are provided below:

- (i) circumstances which allow an Employer to legally terminate an employee ⁽³⁾;
- (ii) for reasons relating to a specific dereliction of duty, whether intentional or negligent (e.g. disloyalty, negligence, incompetence, etc.);
- (iii) due to any intervening impracticability;
- (iv) when the members no longer meet the requirements set by the Model;
- (v) for any breach of the duty of confidentiality incumbent upon the SB;
- (vi) due to any intervening conviction for a crime under Legislative Decree no. 231/2001, regardless of whether the conviction is final;
- (vii) upon the SB member's resignation from their role or duty within S.I.T.

Termination is rendered by resolution of the Board of Directors, with the binding opinion of the Board of Statutory Auditors.

Upon the removal or resignation of any Supervisory Board member for any reason, the Board of Directors shall appoint a new SB member post-haste, whilst the outgoing member will remain in

³ Applicable when the Supervisory Board member is also an S.I.T. employee.



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office until his or her replacement takes office, to ensure the Supervisory Board's operational continuity (known as an administrative extension).

3.4. Functions and powers of the Supervisory Board

The Supervisory Board is entrusted with supervising the following:

- Model efficacy: meaning monitoring to ensure that behaviour within S.I.T. is Model-compliant;
- Model suitability: meaning ensuring that the Model is apposite to preventing Crimes, and ensuring suitability over time should any subsequent law extend its application;
- Updating the Model in order to sure it aligns with changes in the environment and with the Company's structure.

From an operational standpoint, the Supervisory Board is tasked with:

- periodically reviewing At-Risk Operation mapping, in order to ensure the map matches S.I.T.'s current operations and structure; accordingly, any situations that might expose the Company to the risk of a Crime occurring must be reported by the Governing Body (as well as the heads of company divisions, and those exercising control within the individual functions) to the Supervisory Board;
- periodically performing, whether directly or using external consultants, audits on Model functioning, ensuring that the procedures and controls contemplated under the Model have been implemented and documented in a conforming manner and that all ethical principles have been followed;
- performing periodic audits targeting specific transactions or actions, especially those falling within the scope of At-Risk Operations, the findings of which must be memorialised in a formal report;
- liaising with other company functions (whether in a meeting or other setting) to facilitate exchanges of information for the purpose of keeping the map of At-Risk Operations up-to-date, for the following reasons:
 - a) keeping abreast of changes to ensure uninterrupted supervision;
 - b) reviewing various aspects of Model implementation (contract boilerplate, staff training, regulatory and organisational updates, etc.);
 - c) ensuring that corrective actions needed to keep the Model tailored and effective are timely undertaken;



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- collecting, processing, and retaining any salient information needed to ensure Model compliance. Accordingly, the Supervisory Board will be granted full access to all relevant company documentation, and must be kept apprised by the Board of Directors, and by the heads of the various areas of company operations on:
 - a) aspects of S.I.T. operations that might expose the Company to risks arising from the commission of a Crime;
 - b) interactions with consultants and Trade Partners;
- training and communication programmes on Model issues, and the production of related documentation, in coordination with the head of training;
- salient elements of law, and audits on the efficacy of the company's internal-control system based on those legal principles;
- periodic reports to the Board of Directors, and the Board of Statutory Auditors regarding implementation of policies under the Model.

The SB must be able to take action in terms of Model implementation, compliance, and auditing (as well as for any protocols required by Art. 6 of the Decree), to be sure, but the SB must likewise monitor its implementation and whether it provides the type of crime prevention demanded by the law on an ongoing basis. This continual monitoring takes place along two vectors:

- when operational standards appear to fall short of those established by the Model, the Supervisory Board is charged with:
 - a) issuing an admonishment to the heads of the operating departments to comply with the Model;
 - b) submitting a set of corrections and modifications which must be made to standard operating procedures directly to the Governing Body;
 - c) reporting the most serious failures to implement the Model to company leadership, and to those staff persons charged with internal audits at a department level;
- on the other hand, should Model-monitoring operations reveal any opportunities for updates or adjustments, the SB must take steps to ensure those adjustments are made in a timely manner, by submitting a motion to the Governing Body, and to the Internal-Control Body, if requested⁽⁴⁾.

⁴ No set timetable or format is provided; however, it must be understood as limited to the maximum number of admonishments to comply, with the content determined by the findings giving rise to the motion to amend.



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Accordingly, as stated previously, the Supervisory Board must have free access to all functions and company documentation as well as have the option to solicit relevant data and information from the responsible parties.

Finally, the items of information identified *infra* must be reported to the Supervisory Board.

The Governing Body delineates the role and job description, and sets compensation and budget levels, for any staff assigned to the Supervisory Board for all or a portion of their working hours.

3.5. Information flows to the Supervisory Board

The Supervisory Board reports on an as-needed basis (and at least once per year) to the Board of Directors.

The Supervisory Board generates a written, detailed, annual report for the Board of Directors which sets forth an executive summary of all operations carried out over the course of the year, any controls or audits performed, and other significant issues, as well as any motions to amend the Model.

The report must provide a plan for the upcoming year's operations.

The following topics must be included in the SB's annual report:

- operations undertaken by the Supervisory Board;
- any issues found in terms of S.I.T. behaviour or incidents, as well as regarding Model efficacy.

The Board of Directors has the option, at any moment, to convene the Supervisory Board; the Supervisory Board, in turn, has the option to request, through the designated functions or company personnel, to convene those bodies should exigent circumstances require it.

The Supervisory Board may also disclose, on a case-by-case basis:

- 1) the findings of their audits to the heads of the departments and/or functions, should the operations reveal potential areas of improvement. In such cases, the Supervisory Board must solicit a plan of action, along with a timetable for the same, from each of these heads of processes for the identified opportunities for improvement, as well as a set of specifications on the operational changes needed to implement the same;
- 2) report any behaviour/actions which do not conform to the Model and Code of Ethics for the following purposes:
 - (i) to acquire the evidence needed to report the matter to the designated company functions so that all assessments and disciplinary action may be duly taken;
 - (ii) to avoid the incident being repeated, providing information on how to cure the default.



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The operations noted in point 2, *supra*, must be reported by the Supervisory Board and the Board of Directors as soon as possible, engaging the support of other company functions if and when required, who must cooperate fully in any assessments, and in the identification of strategies to keep those circumstances from repeating themselves.

3.6. Flows of information to the Supervisory Board; whistleblowing

In this arena, the following must be reported to the Supervisory Board:

- on a periodic basis, all information/data/facts identified by the Supervisory Board and/or requested by the latter of the individual Company functions;
- on an as-needed basis, any other item of information, of any kind, whether sourced internally or from outside the Company, relating to Model implementation within the At-Risk Operations, as well as compliance with the Decree in general, as may be required to fully discharge the Supervisory Board's duties (*i.e.* their "**Reporting**").

Heads of the business' at-risk areas must submit the following to the SB:

- periodic findings of their own internal-control efforts on Model implementation (reports summarising completed operations, monitoring efforts, reconciliations, etc.);
- any anomalies or non-conformities found from amongst available sources of information (for example, a single occurrence, negligible when viewed in isolation, becomes significant when viewed in context, *i.e.* recidivism and extent of the problem within the Company).

Reporting the following types of information to the Supervisory Board shall be mandatory:

- orders and/or notices from any court, judicial police, or from any other authority in Italian or abroad, which provides notice of any Criminal investigations in respect of any relevant party;
- requests for legal representation submitted by the Company's Governing Body, CEO, or any executive positioned in any operational area following the institution of proceedings for any Crime;
- reports forwarded by the Company from any employee facing charges for any Crime;
- reports generated by any executive in an operational area from any internal-control audits which have uncovered, facts, incidents, circumstances, or omissions relevant for purposes of the Decree;
- status updates on the Model's actual implementation, with a notation of any disciplinary proceedings conducted or sanctions applied (including any proceedings against employees), or any dismissal of charges or complaints and the reasons for the same;
- decisions relating to applications, disbursements, and use of public funds;
- updates regarding contracts won from any public entity or contractor providing a public service;



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- periodic reports on workplace safety and health.

The Supervisory Board must, furthermore, be apprised of S.I.T.'s attribution-of-authority system, and upon any subsequent change to the same.

Each employee is responsible for reporting any actual or suspected violation of the Model by contacting their direct supervisor and/or the Supervisory Board (see the following paragraph for reporting submission methods and assessments).

The Supervisory Board will review all submitted reports, and determine what steps to take; any directives issued will be delineated and applied in accordance with the provisions of the disciplinary system, as discussed *infra*.

In terms of Company Employees, the duty to report any non-conforming behaviour to their Employer falls within the larger duty of care and good faith towards their employer.

Consequently, as those reporting duties fall within the scope of the same, any breach thereof cannot be subject to disciplinary proceedings.

Company consultants, Associates, and Trade Partners, in respect of the work done for or on behalf of S.I.T., must report incidents directly to the Supervisory Board using the “dedicated communication channel” as set within their contract.

In respect of other methods of submitting information/data/status updates, the following rules shall apply:

- information must reach the Supervisory Board from the operations level in the manner set by the Supervisory Board itself; consequently, a hotline or “dedicated channels of communication” may be set up to facilitate reporting: a dedicated phone number, email address, or post-box; these reporting channels must perform a dual function - to facilitate reporting to the Supervisory Board, and to clear up questions and concerns promptly;
- Reports on any known or suspected violation of the Model must be made in writing using the dedicated channels of communication, but may be anonymous as permitted under the whistleblowing doctrine;
- the Supervisory Board must take steps to ensure those filing a Report under the preceding point are protected against retaliation, discrimination, punishment, and any other untoward consequence of filing the Report; the Supervisory Board must protect the reporting party's identity, subject to any disclosures mandated by the law or the safeguarding of any Company or third-party interest;
- the Supervisory Board will review all reports received, and determine what steps to take; the reporting party and/or the alleged rules violator will be given a hearing if and when deemed



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necessary and feasible. The Supervisory Board's determination will be reported to the Governing Body so that the proper steps may be taken.

Art. 6 of the Decree establishes the following rules for anonymous Reporting:

- at paragraph 2(b) - organisation, management, and control models must contemplate:
 - one or more channels allowing an Organisation's employees to submit, for purposes of safeguarding the Organisation, detailed reports regarding (i) illicit conduct which is relevant to the Decree, and supported by clear and consistent factual allegations, or (ii) violations of the Organisation's organisation, model, and control model coming to the attention of the reporting party over the normal course of their duties; these channels ensure the confidentiality of the reporting party, in respect of their reporting duties;
 - at least one alternative means of reporting sufficient to protect, using encryption or other technology, the Reporting Party's identity.
 - a restriction against any acts of retaliation or discrimination, whether direct or indirect, against the reporting party, for any reason related (be it directly or indirectly) to the report they filed;
 - within the disciplinary system, implemented in accordance with paragraph 2, subpart (e), sanctions against those who violate the measures established to protect the reporting party, and anyone who maliciously or recklessly makes an unfounded report;
- at paragraph 2(c), that discrimination against a person filing a report under 2(b) may be formally reported to the labour inspector so that the proper steps might be taken by the same, by either the reporting party, or the reporting party's union representative;
- at paragraph 2(d), rules on retaliatory or discriminatory discharge of the Reporting Party, which will be considered "void". Any changes to the party's job duties under Art. 2103 of the Civil Code, and any other retaliatory or discriminatory action taken against the reporting party, will likewise be "voided".

The foregoing article, moreover, contemplates that should any dispute arise regarding the meting out of disciplinary sanctions, demotions, terminations, or transfers, or should the reporting party be subject to any other institutional measure having negative consequences on their working conditions, the burden will be on the employer to show a rational basis for the same (burden-shifting to protect the reporting party).

In order to ensure the efficacy of the whistleblowing system, the Company will ensure that all Employees and parties engaged by the Company are duly advised of how reports are reviewed and processed. For consultants, Associate, and the like in particular, they will be subject to a contractual reporting duty triggered by their actual notice of any behaviour which might be deemed a violation of the Model or Code of Ethics.



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Consequently, the Company accords all Recipients access to one or more channels allowing them to file a Report, in order to ensure the integrity of the system.

Recipients may file a Report when they have a good-faith belief that illicit conduct or Model / Code of Ethics violations have occurred, based on observations made during their normal course of duties. "Good faith" in this context means based on facts reasonably related to behaviours which might be deemed a violation of the Model or the Code of Ethics.

The Company, moreover, shall protect anyone acting as a Reporting Party in good faith from retaliation, discrimination, or punishment in any form, for reasons relating (whether directly or indirectly) to the filing of the report, without prejudice to the rights of the accused where the reporting party is found criminally or civilly liable for false statements, subject to applicable provisions of law.

Consequently, the Company has implemented a series of communication channels in parallel to protect, using encryption or other technology, the Reporting Party's identity.

These are the designated channels:

- ordinary post;
- confidential inter-office mail;
- a confidential email account (no one, including system administrators, will be permitted to access, verify, or disseminate the contents of any email received into the same. Violations of this restriction will be subject to the disciplinary sanctions contemplated under the Decree);
- the Supervisory Board may, at its discretion, suggest additional channels of communication to the Governing Body.

All of these lines of communications must be given sufficient visibility on the Company's online network, and must be the focus of specific training and informational events geared toward Recipients.

3.7. Document-retention requirements

All documents relevant to the Model and SB functions (information flows, reports, status updates, etc.) must be retained in a designated computer and/or hard-copy database protected by specific security measures, onsite.

Data and information may only be disclosed outside the Supervisory Board with the written authorisation of the SB, and provided adequate data security can be ensured.



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Should any problems arise regarding access to files and the designated email account, the SB shall report the matter directly to the designated company director or department head, and to the Governing Body, at the SB's discretion.



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4. Dissemination of the Model

S.I.T., pursuant to Legislative Decree no. 231/2001, and in order to ensure effective implementation of the Model, has established a specific **communication and training plan** to guarantee the proper dissemination to all Recipients of the principles contained within the same, as well as on the At-Risk Operations and protocols contemplated therein. The plan will be managed by the *HR & Legal Affairs Office*, in coordination with the Supervisory Board.

4.1. Issuance

Within thirty (30) days following the Board of Directors' approval of the Model, the Model shall be issued:

- publicly, by posting the Model (or at least the General Section, along with any other appendix which does not contain sensitive information) to the Company's website;
- to Recipients, through an informational email (or letter) with the subject line "Issuance of the 231 Model" and posting to S.I.T.'s intranet and to official company notice boards onsite.

4.2. Personnel training

In respect of company training, S.I.T. has generated a training programme which involves an overview of the law on corporate criminal liability (and thus the consequences S.I.T. would face following the commission of a crime by any employee, associate, or contractor), along with the essential features of the offences contemplated under the Decree, and then more specific training on the principles established in the Model, At-Risk Operations and applicable protocols, and finally the crime-prevention measures put into place by the Model.

The guiding principles behind S.I.T.'s training and informational programme are as follows:

- universality: anyone working on the Company's behalf must participate;
- documentation: at the end of the training session, both attendance and learning assessments on the concepts presented must be logged;
- accountability: at the end of the training programme, company staff will have been duly trained, and made properly accountable, on the need to behave in a manner befitting the Model's standards.

Training is provided to all Employees upon Model implementation, and thereafter for any new hire, or person subject to an internal transfer or change in job duties.

Any intervening changes in the law, or to the services provided by the Company, or any changes to processes, technology, or upon the occurrence of unforeseen circumstances, variations to the risk



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identification/assessment/management process and/or to the Model may be required, with an attendant need to modify any pending training and courses.

Initial training will be provided to all Employees immediately following the introduction of the Model. Topics may include but are not limited to:

MODEL 231 TRAINING PROGRAMME

Course topics:

Legislative Decree no. 231/2001: general principles

Characteristics of the 231 Model

The company's Code of Ethics

Company structure, and individual job duties

The risk of crimes intrinsic to one's job duties

Company procedures/protocols contemplated under the 231 Model

SB duties and powers, and the repercussions (including punishments) arising from any failure to cooperate with the same

Duty to report to the SB

Disciplinary system, and methods of sanction

All Recipients will take part in this initial training.

That initial informational and training session will then be repeated at intervals set based on the efficacy of the initial offering.

The more a person's duties involve At-Risk Operations, the more in-depth their training will be.

Specifically, those working in the aforementioned At-Risk Operations must be provided training in order to help them understand the Company's standard operating procedures and the applicable protocols.

More specifically, the content and degree of specificity for "Model 231 Training" will vary depending on the role played by the Recipient; Senior Management will be provided greater detail on the risks of various Crimes, and procedures to be followed, than in the training given to those working in a purely operational capacity.



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The training programme must provide a summary on topics presented, and the timetable for each event, along with the target audience for each session, and finally instructor names and the content-delivery method to be used.

In accordance with the aforementioned principles, each training activity will be duly documented, and attendance tracked for all training events.

Learning will be assessed using a variety of methods, which will vary depending on the course type and instructional techniques; a few examples are provided below:

- SB audit;
- Model compliance monitoring;
- written quizzes.

All training-related documents must be collected and kept on file by the *HR & Legal Affairs Office*, and made available for inspection by the Supervisory Board.

An additional training method used by S.I.T. is a plan to “Raise Awareness” amongst all personnel, which will be conducted on an ongoing basis by the Supervisory Board. This portion of the programme aims to improve and/or supplement our associates’ knowledge and performance should any shortfall attributable to insufficient retention of topics previously taught be found, or simply to further their knowledge in a specific area. Such efforts must be duly documented in a report or similar writing.

These are examples of “awareness-raising” techniques:

- periodic email updates;
- notice included in the engagement letter for any new hire.

4.3. Information to Associates and Trade Partners

External parties (non-S.I.T. party such as consultants and Trade Partners) will be provided an informational notice on the Model’s implementation, the consequences of any failure to abide by the Model, which will direct them to review a copy of the Model online.

If and where possible, contract boilerplate should be used to establish consequences for violations, which should substantially comply with the following: *“In conducting its affairs, and in its interactions with others, Laboratorio Farmaceutico S.I.T. is guided by the principles set forth in its Organisational Model, written in accordance with Legislative Decree no. 231/01, and the Code of Ethics annexed to the same. [•], as a party to this contract, affirms they have reviewed the provisions of Laboratorio Farmaceutico S.I.T.’s Model and Code of Ethics, they agree with the content thereof, and they pledge to abide by the same in the performance of their duties under this contract. Any*



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breach of the provisions of Laboratorio Farmaceutico S.I.T.'s Model and Code of Ethics by the party entering this contract shall, depending on the severity of the breach, cause the contract to terminate under Art. 1456 of the Civil Code, and give rise to Laboratorio Farmaceutico S.I.T.'s right to seek compensation for any damages caused thereby".



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5. Disciplinary system

5.1. General principles

Under Art. 6, paragraph 2, subpart (e), and Art. 7, paragraph 4, subpart (b) of the Decree, a Model will only be deemed properly implemented if it contemplates a disciplinary system that penalises failures to comply with the provisions of the same.

The disciplinary system will apply to all Employees, and contemplate appropriate disciplinary sanctions.

Violations by Employees of any rules of conduct established under the Model shall constitute breach of their employment duties, as defined under Art. 2104 of the Civil Code, and Art. 2106 of the Civil Code.

Disciplinary sanctions are available irrespective of the filing of criminal charges because the rules of conduct and all internal procedures are binding upon Employees regardless of whether their behaviour meets the elements of a specific crime.

5.2. Violations of the Model

A violation of a Legislative Decree no. 231/2001 Model includes (to provide one example) any act or conduct which fails to conform to the rules set by the Model and/or the standards set by the Code of Ethics, or the omission of any act or conduct required under the Model, within the scope of any operations deemed “at-risk” of the commission of a crime contemplated under Legislative Decree no. 231/2001.

Moreover, under Art. 2(b), paragraph 1, subpart (d) of the Decree, anyone infringing upon the safeguards established for Whistleblowers, as well as anyone maliciously or recklessly filing a baseless report, will constitute a violation of the Model.

Indeed, retaliation against any Reporting Party filing a report in good faith shall constitute a material disciplinary infraction, subject to the sanctions appearing in the immediately subsequent paragraphs.

Acts of discrimination against persons filing a report may be formally reported to the Regional Labour Inspector so that the proper steps might be taken by the same, by either the reporting party, or the reporting party's union representative.

Retaliatory or discriminatory discharge of the Reporting Party shall be void.

Any changes to the party's job duties under Art. 2103 of the Civil Code, and any other retaliatory or discriminatory action taken against the reporting party, will likewise be “voided”.



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Should any dispute arise regarding the meting out of disciplinary sanctions, or following any demotion, termination, transfer, or directly or indirectly negative consequence imposed on the reporting party within the workplace or their job duties, the Employer shall bear the burden of proving that the steps had a rational basis, wholly separate from the report being filed.

Likewise restricted is any improper use of the reporting channels; no one, including system administrators, shall be permitted to access, verify, or divulge the content of any such “dedicated” channel of communication.

Any violation of these rules shall be subject to disciplinary sanctions according to the terms and conditions appearing below.

The identity of any Reporting Party filing a report determined to be patently baseless and/or premeditated in its harm to the accused or to the Company will not be protected.

Such behaviour shall likewise constitute a major disciplinary infraction, and be subject to the following sanctions.

5.3. Measures applicable to Employees (with the exception of Company executives)

Violations by Employees of any individual rule of behaviour under the Model shall be deemed a disciplinary offence. The commission of disciplinary offences gives rise to disciplinary sanctions.

Art. 2104 establishes a worker's duty of “obedience”, requiring that the worker shall, in the performance of their job duties, abide by the law and the terms of the contract or engagement granted by their employer. Any failure to abide by such terms allows the Employer to order disciplinary sanctions, which increase in severity depending on the severity of the infraction, to the extent permitted under the applicable National Collective Bargaining Agreement.

The disciplinary system is, moreover, constrained by the statutory limits imposed by Law no. 300 of 1970 (known as the “Workers Code”), if and where applicable, both in respect of available sanctions, and in respect of how such disciplinary power is exercised.

The disciplinary system must conform to the following standards:

- a) proper notice of the disciplinary system must be provided by conspicuous postings in areas to which the workers have access, and if possible be the subject of worker training and informational sessions;
- b) the principle of proportionality, as codified in national collective-bargaining agreements (in accordance with Art. 2106 of the Civil Code) shall reign; the level of punishment must be predicated on the intentionality of the conduct, or the employee’s *scienter* (negligence,



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carelessness, or recklessness), especially in respect of whether the person has been subject to prior disciplinary proceedings, their position within the company, their job duties, and any other relevant fact or circumstances, including whether the act or omission subject to sanctions was committed in concert with another person;

- c) fines shall not exceed four (4) hours of base pay;
- d) unpaid suspensions cannot exceed eight (8) days;
- e) the worker must be afforded the right to defend themselves, and be afforded the right of notice of the allegations made against them (Art. 7 of Law no. 300/1970, and Art. 2106 of the Civil Code); notice must be provided promptly, and the Employee given eight (8) business days from the date of notice to provide a written defence, and an opportunity to be heard by the Supervisory Board, if requested by the Employee; under no circumstances may a disciplinary sanction beyond an oral or written warning be imposed before eight (8) business days have elapsed from the written allegations giving rise to the action being tendered to the accused.

To ensure the efficacy of the Model, sanctions must be of sufficient severity.

Disciplinary sanctions include the following:

- 1) oral or written warning, which applies when an Employee violates an internal rule established under the Model (e.g. failing to abide by standard operating procedures, breaching their duty to report mandatory information to the Supervisory Board, failing to perform an internal control, etc.) or who, in the performance of their duties in any at-risk area, behaves in a manner which does not conform to the rules established under the Model;
- 2) written admonishment (being “written-up”), which applies when the Employee repeats any violation of procedures under the Model, or in the performance of their duties in any At-Risk Operation, behaves in a manner which does not conform to the rules established under the Model;
- 3) fines, which cannot exceed four (4) hours of base pay;
- 4) unpaid leave (for no longer than eight [8] days), which applies when the Employee, in violating any internal procedure under the Model, or in the performance of their duties in any At-Risk Operation, behaves in a manner which does not conform to the rules established under the Model, thereby causing harm or creating a potentially hazardous situation for S.I.T., or when the Employee has repeated any prior transgression under point (2), *supra*;
- 5) justified termination of employment, applicable when the Employee, in the performance of their duties in any At-Risk Operation, behaves in a manner which does not conform to the rules established under the Model in a manner deemed to be material breach, and



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unequivocally to commit a Crime, or which causes sanctions to be imposed on S.I.T. under Legislative Decree no. 231/2001;

- 6) termination of employment for cause, applicable when the Employee, in the performance of their duties in any At-Risk Operations, behaves in a manner which does not conform to the rules established under the Model in a manner deemed to be egregious breach, and unequivocally to commit a Crime, or which causes sanctions to be imposed on S.I.T. under Legislative Decree no. 231/2001, or when the Employee has repeated any prior transgression under point (3), *supra*.

All applicable provisions and guarantees of law and labour contract governing disciplinary proceedings shall apply, to wit:

- the duty - in respect of the institution of any disciplinary proceeding - to provide notice, hearing, and the right of defence to any accused Employee;
- the duty to provide written notice (with the sole exception of “verbal warnings”), and a restriction against determinations being made prior to the expiry of the timeframe (set in terms of days), following notice of the allegations, as established for each sanction contemplated in the applicable labour contract.

In respect of the adjudication of any charges, the conducting of disciplinary proceedings, and the meting out of sanctions, the powers granted to the designated bodies within S.I.T., as specifically circumscribed by their authorisations and established authority, shall stand.

- The foregoing sanctions shall vary in type and kind depending upon:
- the degree of intentionality, negligence, carelessness, or recklessness, assessed based on factors including the incident's foreseeability;
- the worker's disciplinary and work record taken as a whole, to the extent permitted by law;
- the Employee's job duties;
- the role and degree of responsibility / autonomy of the persons implicated in the incident constituting a breach;
- any other facts or circumstances surrounding the disciplinary offence.

5.4. Measures applicable to the Governing Body

Should any proscribed conduct under the Model have been carried out by anyone on the Board of Directors, the Supervisory Board shall alert the full Board of Directors and the Board of Statutory Auditors, which shall take all action required or contemplated under applicable laws and regulations, with the accused person restricted from discussions and voting thereon.



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Should any proscribed conduct under the Model have been carried out by the majority of the Board of Directors, the Supervisory Board shall alert the full Board of Directors and Statutory Auditors. The Board of Directors shall convene the shareholders' meeting so that all proper steps may be taken. Should the Board of Directors fail to issue the convocation, the Board of Statutory Auditors shall do so in its stead.

Any director and/or directors accused of violating the Model shall have the right to submit their defence prior to the above-mentioned administrative action being taken.

5.5. Measures applicable to Company executives

Should any Company executive violate the law, or fail to abide by any internal procedure established under the Model or Code of Ethics, steps shall be taken in accordance with applicable law, and the National Collective Bargaining Agreement applicable to Company Executives, to ensure an appropriate response.

5.6. Measures applicable to Associates, consultants, and other third parties

Any act or omission by any Associate, consultant, supplier, Trade Partner, or other party in privity of contract with S.I.T. (which shall not include Employees) constituting a violation of the Model and/or Code of Ethics may lead (to the extent permitted under the party's contract or letter of engagement, or where no such formal instrument is available) to contract termination, without prejudice to S.I.T.'s right to seek compensation for damages under a breach-of-contract or any other theory of law.